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Labor's Interest in Administration

By MAJOR GENERAL WILLIAM CROZIER

U. S. A., Retired; Late Chief of Ordnance

SINCE the Declaration of Independence announced that all men are possessed of certain inalienable rights such progress has been made in the consideration which is accorded to men in the mass, to "the people" as such, in all matters in which they have a real interest, as to establish the acceptance of the process as embodying a sound principle in human relations. In political matters the consideration has gone beyond the point of greatest safety for an established state, for a government of the people, by the people and for the people is not the kind best fitted to prevail in the clash of nations, and must have some odds in its favor in order to survive. But nevertheless the process still has political growth, and government by consent of the governed is finding application over an increasing portion of the surface of the earth. The consideration for the masses employed in industry has increased also, but to nothing like the same extent, nor in the same manner.

Considering an industrial enterprise, in which both capital and labor are engaged in production, as comparable with a political organization, in which people of high and low degree are united in a self governing community, what is the most striking difference in the condition of the mass in each? In the political body each individual unit has a voice, and an equal voice, in determining the policies of the government and in the selection of the instruments of administration of the policies, down to the smallest detail by which the life of the individual is

affected; but the individual workman has nothing whatever to say about the general policies of the industrial organization, and only in those which may be called the most advanced has he a voice in the smaller considerations and matters with which shop management is concerned. In the matter of wages, in which his interests are opposed to those of capital, he has conquered a voice by association for collective bargaining, but he has made no real attempt to participate in general control, and he is not consulted with respect to it, notwithstanding that his interests therein would not usually be opposed to those of capital, but would be fairly mutual.

An illustration of the participation of the individual citizen in the establishment of the high policies of political government is afforded by a series of national elections in the United States, in which the tariff policy of the country was under determination. Each citizen has had an equal vote in choosing the national legislature which was to enact the policy into law, and the administration which was to execute the law after enactment, and nobody has maintained that the vote was not rightly possessed by the citizen, or that any movement would be in order to curtail his participation in the determination of such difficult questions. On the contrary, not only has his vital interest brought him a conceded right to a voice, but—a much more doubtful point—his collective opinion has been acclaimed as providing the wisest solution which was humanly attainable.

An important matter of policy in an industrial organization would be a question whether new capital should be sought for an extension of the enterprise. The decision should be made in the light of expert knowledge of trade conditions and of the money market, and would seem to be primarily, if not exclusively, the concern of capital. The individual employe in the plant—the private of industry—would seem to be as little entitled, in either justice or expediency, to representation in the councils of the business solons who would discuss the question, as would the private citizen seem, off-hand, to be qualified to help choose representatives to form conclusions upon tariff questions, which are the special province of profound students of political economy. Is there any analogy which should induce us to suspect that the practise which has won out in the political affairs of all the advanced nations of civilization, in spite of its *prima facie* lack of promise, might present a reasonable case for introduction, in some degree, in industrial administration.

Let us look first at the justice of it. Has the workman a just claim to participate by representation in the administration of the industry in which he is engaged, by reason of his direct and important interest in its fortunes? It is sometimes asserted that capital is entitled to all the profits of an enterprise, as distinct from current wages and salaries, because it takes all the risk of loss, and also has to carry all the financial burden during any unprofitable interval. But does it take all the risk of loss? If the enterprise fails the workman is thrown out of employment, and he is thrown out in mass, so that it is not a case of an individual transferring to another job almost ready to his hand. Labor in mass cannot transfer thus easily, but

upon failure of employment must suffer dislocation of conditions of life; must search for other employment, perhaps involving removal of a family to another locality, with more or less complete sacrifice of a home, and loss of income while effecting the transfer. The risks are very real, and how the catastrophe is supported when the risks turn out wrong is oftentimes a mystery. Whether or not some form of profit-sharing may constitute part of the method of compensation of labor in a given establishment, the very serious disaster for the body of workmen which attends a failure of the enterprise would seem to give them such a vital interest in its success as to entitle them, in accordance with our ideas of fairness, to the exercise of some influence in the administration of its affairs. It is not inconceivable that a speculative spirit might animate a temporary directorate, when common justice would seem to require the opportunity for a warning voice to rise against an adventurous proposal, in behalf of the workmen who have so much at stake for themselves and for those dependent upon them. We have made it axiomatic that taxation without representation is a governmental horror; but taxation takes only a part of the means of livelihood. Why is it then that we look with such complacency upon a government of industry which can risk the whole stake of an unrepresented people, anxiously dependent upon it? Capital, it is true, performs a great service when it takes the initiative in putting together a new enterprise, surveys the field, and concludes that there is room for its establishment; and this service, in which labor takes no part is entitled to reward. But when capital reaches the stage of asking labor to join with it, and the two together proceed to set up the enterprise, labor necessarily

assumes a risk in the undertaking from which capital is unable to safeguard it; for capital cannot offer to labor assured employment, but only employment whose endurance is contingent upon the success of the enterprise. If capital invites additional capital to aid it to further success, it offers to the new capital full representation in the control of the organization. Is there then anything revolutionary in the idea that labor, invited to indispensable coöperation, shall receive some measure of representation in the control whose wisdom is of such intense concern to it? Is not such representation rather in accord with all our ideas of fair treatment of a legitimate interest, and not to be denied except for overwhelming reasons of practical expediency?

Let us now look at the matter of expediency. I take it that an ideal moral condition exists in an industrial organization when everyone connected with it, from the financial ownership to the labor in the shops, is keenly alert to do his own part in forwarding its operations, and anxious to contribute every helpful suggestion which a loyal interest in success may inspire in his mind; and I fancy that any feature of organization which would contribute effectively to the production of such morale would have such a *prima facie* claim for adoption as to require very demonstrable objection to justify its exclusion. What better inspiration could be found for the large number of acute, if not well educated, minds in the working force than the knowledge that in the directorate sat their own representative, mindful of their interests, and taking thought for the harmonization of these with all other interests represented upon the board? A voice in choosing the representative would induce a sense of responsibility, and a feeling of

identification with the enterprise, comparable with that which the citizen feels for his own state, or town, and which leads him during a campaign period to study and discuss the issues, to an extent highly contributory to his civil education. The industrial education of labor would do a world of good. Of course, the same argument which would justify electing a representative of the workers to the board of directors would suggest placing workers on other committees and agencies planning in an administrative way for the enterprise.

Everybody knows that a persistent obstacle to coöperation is the suspicion and distrust which come from incomplete information. Smoothness of path of an administrative organization, and absence of excuse for errors, are apt to be taken for granted by those regarding the organization from without, who may be much affected by its acts, but are without knowledge of the reasons for them. Nothing is easier than for a working force to become convinced that the management is out of sympathy with it, and to believe that a given course is pursued without consideration for its rights and interests. Whereas inside knowledge of the difficulties attending the decision to follow the course, and of the hard alternatives presented, might predispose to at least a charitable view and the softening of resentment, if not to acquiescence in the wisdom of the decision. Postponement of an advance in wages, for example, might be regarded differently by disappointed aspirants, convinced that it was overdue, if they should be aware that its cause was a temporary shortage of funds which the interests of neither employer nor employes would permit to be disclosed. The French have a saying *tout savoir c'est tout pardonner*, which may be rendered—to understand everything is

to excuse everything—and expresses the belief that human beings are generally reasonable and well disposed, and their actions would commend themselves to one another if the perplexities under which they were taken could be mutually understood. Such understanding would be strongly promoted by the representation of labor in the administration; and pending the time when the understanding, at a given juncture, could be made specific the accompanying confidence would induce patience.

It is in nowise probable that labor can be of any special help in the solution of the peculiar problems of capital, any more than it is probable that labor in citizenship can afford expert assistance in the writing of tariff schedules; but just as citizenship makes genuine search for exalted statesmanship to fill high political office, so also labor would be concerned to select for its own representative in the administration of the enterprise whose prosperity is so important to it, the best ability at its disposal. A representative thus selected might well be expected to contribute other service than the mere advocacy of the interests of labor; and, as one knowing the workingmen's point of view, and understanding the character of call to which they would willingly respond, could evoke for the service of the management an amount of practical suggestion and a degree of detailed care for efficient operation throughout the shops which might very well turn the scale between profit and loss in a doubtful case of competition. Such a member would be a veritable asset in the directorate. There might even be hope that he could popularize the high output workman in the force; he would be almost certain to try.

Good ownership has often realized the value of consideration in promoting good feeling between management and

labor, and has taken pains to foster contentment by a paternal regard for the well being of its working force. A really paternal employer can probably win out over one who is careless of the men's welfare, but paternalism has about reached its limit with independent American workmen, and at its best it must pay a higher price for the same degree of coöperation than a method which substitutes the workmen's lively interest in the work for its own sake. Keenness is more valuable than contentment as a stimulus to contributory effort, and it can be promoted by affording scope to the sense of achievement accompanying participation in the counsels of success. Of course good administration would not rely solely upon this sense for the maintenance of interest, but would allow some individual benefit to result from corporate advantage.

A well known method of tying the working force to the ownership is by the distribution of stock among the former. This does away with conflict of interest by producing identity of employer and employe, and to the extent to which it takes place avoids the difficulty of the separate status. That there is no necessary limit to its extent is shown by the successful operation of coöperative productive associations, in which there is no capitalistic ownership in the ordinary sense. Participation in administration could always follow this process when the employes should become possessed of a sufficient number of shares to enable them to elect a director, and the representation of labor in administration would thus result from application of the financial principles already in practise. Why does not this method offer the right way out?

The way out is good as far as it goes, but it does not solve our problem. Labor owning shares does not parti-

pate in administration as labor but as capital, and all the other labor is left unrepresented. In so far as the laborer becomes capitalist the problem is avoided; but, although it is generally more attractive to eliminate problems than to attempt their solution, they will still clamor for solution unless the elimination is fairly complete; and the prominent examples of stock distribution to labor, in American industry leave the labor far from any voice in administration, and leave labor contemplating the lapse of a long period before its voice can be thus raised through growth of ownership. Participation as labor can be effected as soon as the principle is recognized.

If the point is sound, that the vital interest of labor gives it a right to representation in the administration of industry, it may be assumed that the soundness will come to be recognized; and thereupon a people accustomed to self-government will know how to make use of public sentiment to bring about the practise of participation. Capital now being in conceded control is in a position to make concessions, and if it will do so can make them gradually, to the great advantage both of itself and of labor. Using still the governmental illustration, the gradual growth of the Anglo-Saxon people in political power, although not unaccompanied by clashes, has been much more conservative of the national well being than was the convulsive process of the French, who endured three quarters of a century of disturbance between the revolution of 1793 and the final establishment of a self governing republic in 1871. The people of Mexico are unable to secure any voice or any consideration in their government because, being utterly ignorant and illiterate, they are unable either to comprehend participation or to use the power of their numbers to give or to

refuse to their usurping officials any effective consent of the governed. But if they were to be miraculously accorded from on high the power to control their government the country would promptly go to smash, as has been the case in Russia, leaving nothing but a wreck to govern. A Philippine aspirant for independence illustrated for a member of a visiting congressional party the great advance which would be made under freedom, by telling him that they would at once abolish taxation, throwing off its burdens in a single act. Although the degree of industrial knowledge of American labor is far superior to that of the political knowledge of the Mexicans or the Philippines, the sudden injection of the mass into the power and responsibility of superior administration, without first the information and then the growth accompanying a gradual process, would result in disaster both to the vested ownership and to the new freedom sought by labor, and would leave the latter subject only to a new tyranny, like that of Lenin and Trotsky. But every reasonable concession should reduce the unreasonable minority, making demands, and should conduce to sane progress accompanied by a minimum of mistakes.

Existing unrest and radical programs, put forth by agitators, arouse apprehension and anxiety; but there are hopeful signs. The writer has had his struggles with organized labor and has come through them, he hopes, with mutual good nature. In the operation of the government arsenals, in which several thousand workmen were engaged, opposition of labor unions was encountered to measures of efficiency of which the object was the increase of production with accompanying increase of pay, and the opposition was sufficiently influential to secure the insertion in appropriation

acts of legislation prohibiting the payment to any employe of any premium, bonus, or cash reward in addition to his regular wages. This action was in accord with the expressed policy of the Federation of Labor against piece-work payment. But since the war the official spokesmen of labor have indicated a change of view, advocating payment for performance in the interest of production, of whose necessity they have expressed a deep appreciation, and the legislation no longer appears on the appropriation acts. An aversion to stimulated production, sufficiently widespread to influence the national legislature, has thus been changed to a plea for better production, and advocacy of the most direct method for bringing it about. This does not look like refusal to see reason. The records of the arsenals, under the stimulus which was afterward for a time prohibited, show that industry in general can well afford to maintain the standard of living which has been attained by labor, if labor will give the output of which it is easily capable; and the present attitude of its spokesmen encourages belief that the output may be had, and that industry can flourish without an unwelcome struggle to force labor back to a less attractive life. All of which is evidence that there is something besides radicalism in the air, and that labor's representation in the counsels of administration need not be expected to urge an abandonment of conservatism.

Labor is better informed as to management than it is as to administration. It is in intimate contact with shop methods and rules, with machine capacity, with discipline and the spirit of the working force, and is capable of more useful assistance and of more

abundant suggestion with regard to these matters than with regard to the class of thing which has been considered as very much the exclusive province of capital. Good argument could, therefore, be made for more complete participation and greater responsibility of labor in management than has herein been advocated for its representation in administration. But a voice accorded in administration would have opportunity to present the case for an appropriate share in management, and besides, the latter is now receiving the best kind of presentation, by practical trial in an increasing number of establishments.

So no space has been occupied in setting forth herein the practicability and the advantage of inducing labor to take the management's point of view in shop matters; neither has any effort been made to propose the methods of inducting labor into a share in administration, beyond the suggestion, by way of illustration, of representation on the board of directors, in the case of a corporation. When it is recognized that capital and labor have vastly more in common than they have in opposition, it does not seem difficult to admit the principle of coöperation between them in forwarding the larger as well as the smaller affairs in which they are interested together, and with this admission, practical good sense will not be at fault to find ways for bringing coöperation about. There is something inspiring in the vision of these two great forces working together in the struggle of industry for their own advancement, and in the service of mankind, while using their association to compromise their conflicting interests, after the manner of sensible men everywhere.